

MICHIGAN COMMISSION OF AGRICULTURE
Lawton Community Center
646 North Nursery Street
Lawton, MI 49065

MEETING MINUTES
FEBRUARY 9, 2006

PRESENT:

Douglas Darling, Chair, Commission of Agriculture
Dale Norton, Vice-Chair, Commission of Agriculture
James Byrum, Commission of Agriculture
Don Coe, Commission of Agriculture
Mitch Irwin, Director, Michigan Department of Agriculture

OTHERS PRESENT: (all or part of the meeting)

Douglas Forraht
Bill Kays
Holly Kays
Dan Klug
Margo Klug
MaDonna Martin
Keith McKenzie
Douglas E. Meechum
Trever Meachum
Tonia Ritter, Michigan Farm Bureau
Sharon Schmuhl, Michigan Agri-Women
Nancy Snow
Dan Stockman

CALL TO ORDER AND ROLL CALL

Chair Darling called the meeting of the Commission of Agriculture to order at 10:08 a.m. on Thursday, February 9, 2006. Vice Chair Norton called the roll (in Secretary Jousma-Miller's absence) with Commissioners Darling, Norton, Byrum, Coe and Director Irwin present.

Chair Darling welcomed Don Coe to the Commission and stated he appreciated Commissioner Coe's commitment to the agriculture industry. He is managing partner of Black Star Farms Winery and their farm was also the 100th Michigan Agricultural Environmental Assessment Program (MAEAP) certified farm in the state.

Commissioner Coe stated that he appreciated the opportunity to serve on the Commission. He commented how fitting it was to be at the first meeting at one of

the oldest wineries in the state with grape growing in the area beginning in 1868 and the winery in 1903. The wine industry is growing very quickly in the state. The industry has set tough goals for itself for the growing of grapes and expansion of the wine industry, but has tremendous support within the state from the Department of Agriculture and he expects the targets to be reached.

APPROVAL OF AGENDA

MOTION: COMMISSIONER NORTON MOVED FOR APPROVAL OF THE FEBRUARY 9, 2006 AGENDA AS PRESENTED. SECONDED BY COMMISSIONER BYRUM. MOTION CARRIED UNANIMOUSLY.

APPROVAL OF JANUARY 9, 2006 AND APPROVAL OF CORRECTION TO DECEMBER 7, 2005 MEETING MINUTES

MOTION: COMMISSIONER BYRUM MOVED APPROVAL OF THE DECEMBER 7, 2005 MEETING MINUTES AS REVISED AND MOVED APPROVAL OF THE JANUARY 9, 2006 MEETING MINUTES AS PRESENTED. SECONDED BY COMMISSIONER NORTON. MOTION CARRIED UNANIMOUSLY.

NEXT MEETING

The next meeting of the Commission of Agriculture is scheduled for March 9, 2006 in Alpena.

COMMISSIONERS' TRAVEL

- February 3, 2006, Great Lakes Dairy Conference – Commissioners Norton and Darling
- February 7, 2006, MI Corn Growers Association Annual Meeting – Commissioner Darling
- January 11, 2006, Swine Health Committee Meeting – Commissioner Norton
- January 12, 2006, Michigan Association of Festivals & Events Convention – Commissioner Norton

MOTION: COMMISSIONER BYRUM MOVED TO APPROVE THE ABOVE TRAVEL FOR THE COMMISSIONERS. SECONDED BY COMMISSIONER NORTON. MOTION CARRIED UNANIMOUSLY.

COMMISSION COMMENTS:

Commissioner Byrum reported many things going on in Michigan agriculture. He commented briefly about livestock issues, bio-fuels, bio-economy, and a variety of trade opportunities that have surfaced recently.

Commissioner Norton commented that he attended the Swine Health Committee (he is chair). The committee is comprised of representatives from MDA, Michigan Pork Producers and the United States Department of Agriculture

(USDA). The discussion focused on feral swine. Dr. Steve Halstead, State Veterinarian, was also involved in the discussion.

Commissioner Norton thanked Deputy Director Keith Creagh for attending a Michigan Pork Producers meeting for Director Irwin, who was involved with Select Michigan and Super Bowl activities.

Pioneer Seed Corn has decided to reduce their acreage by 20-30%. There are a number of growers who find themselves out of a good program and must now make adjustments.

Commissioner Norton will be attending the upcoming Michigan Cattlemen's Association meeting.

Commissioner Coe opted to reserve his comments for a later time.

Commissioner Darling commented that he and Commissioner Norton attended the Great Lakes Dairy Conference. One of the highlights was watching their Dairy Ambassadors program, a youth contest for developing spokespersons for the industry. There was an outstanding group this year, all women, ages 14-20, who were very articulate.

He also attended the Michigan Grow Growers Association annual meeting. Director Irwin spoke at the meeting. There is concern about pricing and fertilizer costs.

Commissioner Darling also attended the Michigan Farm Bureau Commodity Conference that covered many issues and concerns. He attended a meeting with the Aquaculture Association and learned of the concerns of that portion of the agriculture industry (financing and regulations.) There are areas to be improved. Promotion of farm fee fishing was one areas discussed.

He commented about the letters that have been received by members of the Commission regarding the fruit and vegetable inspection program and MDA budget issues.

DIRECTOR'S REPORT

Director Irwin reviewed agenda items including an update of activities in the Pesticide and Plant Pest Management Division and a discussion of economic development activities.

He commented about the release of the budget later in the day by the budget director at the Department of Management and Budget. He discussed the challenges facing MDA.

MDA has asked for support and additional funds for restoration of funds in the Food & Dairy Inspection Program. Staff has testified before the legislature about the impact of the cuts in the past and the jeopardy faced in the food industry and with fruit and vegetable inspections.

There is an interagency work group that has been meeting and looking at funding, both state and federal, for emergency response, surveillance and communication in the event of an outbreak of Avian Influenza.

Additionally, Emergency Management staff has been helping to coordinate Michigan's participation in the Strategic Partnership Program on Agro-terrorism. Michigan will be the fourth state to participate in this comprehensive review of a sector of the food chain with USDA, FDA, the FBI and the Department of Homeland Security.

Staff continues to work with the Department of Information Technology to develop a single point of entry to the Department of Agriculture for access by the farm community to the licensing, regulatory functions and registration processes.

Work continues with the Michigan Department of Environmental Quality (MDEQ) for fast tracking of permits for large and small projects. There is a workgroup working to improve that process. Senator McManus is also involved.

Director Irwin credited the team from the Environmental Stewardship Division for their hard work on the pending water legislation.

Director Irwin briefly discussed a foodborne illness outbreak that the Food & Dairy Division is investigating. It occurred in mid-January at a conference where the Governor spoke. The event took place on a Native American Indian Reservation and brought about conversations with the Native American community about how to coordinate and cooperate better where you have sovereign lands and rules and regulations that are quite different.

A great deal of time was spent pulling together a hospitality effort for the Super Bowl in Detroit led by Jeanne Lipe. Everyday from 3-5:00 p.m. during Super Bowl week, Michigan food products were offered in the Media Center at the Renaissance Center. There were over 3,000 credentialed members of the news media reporting on the Super Bowl and events surrounding that, including their experience in Detroit and Michigan. After meeting with the Super Bowl Host Committee, a plan was developed to showcase the hospitality of Michigan and agricultural products from Michigan. Each day, Michigan products were showcased prepared by celebrity chefs and various commodity groups were present. The Governor visited, along with other celebrities. Staff volunteered

time to make this event a success. The news media was superb and good stories are expected.

The Michigan Agri-Business Association meeting was held in January and the industry was helpful in briefing the Governor on bio economic issues and activities underway by the private sector. Director Irwin thanked Commissioner Byrum for putting that together. The final study from Michigan State University was also released on the \$60.1 billion impact of the agri-food business in Michigan.

Director Irwin also attended the International Cherry Conference in Traverse City in January. It was the first time the cherry growers had been joined by international researchers.

He also attended a meeting with the Greenstone Farm Credit Service Board to discuss opportunities for Michigan agriculture and challenges they see facing their customers.

In the State of the State address, the Governor's comments included emphasis on the 21st Century Job Fund, particularly the life sciences and alternative energy.

Director Irwin briefly discussed a Small Farm Conference that he attended. He stated that the conference represented the diversity of some of the small farmers and their challenges.

The Farmland Preservation Grants have been issued. He stated that you cannot underestimate the value of that program and the symbolism of the agriculture community working together with local units of government and MDA.

Director Irwin welcomed Commissioner Coe to the Commissioner. He stated that he had spoken with outgoing Commissioner Maitland, thanking him for his service.

WEIGHTS AND MEASURES ACT; ENFORCEMENT OF UNINTENTIONAL VIOLATIONS: Mike Pinagel, Director, Motor Fuels Quality/Weights and Measures Program, Laboratory Division; Robert DeRubeis, Weights and Measures Manager, Laboratory

Mr. Pinagel reviewed the proposed Enforcement Policy for Unintentional Violations. He stated this is an outgrowth of changes to the Weights and Measures Act that has been going through the legislature. The legislature, in cooperation with industry, thought it was a good idea to memorialize the policy utilized within the Consumer Protection Section with respect to unintentional violations of the Weights and Measures Act.

MOTION: COMMISSIONER BYRUM MOVED TO ADOPT THE ENFORCEMENT POLICY AS PRESENTED. SECONDED BY COMMISSIONER NORTON. MOTION CARRIED UNANIMOUSLY.

Commissioner Byrum stated that this memorializes what has been occurring for some time. He commended the division for their work.

RED ARROW DAIRY, REVIEW OF SITING DETERMINATION: Gordon Wenk, Director, Environmental Stewardship Division; Dann Bollinger, MSUE Extension Educator, Dairy and member of Site Selection Review Committee; Michelle Crook, Environmental Engineer, Environmental Stewardship Division

Mr. Wenk referenced the packet of information the Commissioners had received including the 2003 Site Selection Generally Accepted Agricultural Management Practices (GAAMPs), the review committee's recommendation, and summary of site activities throughout the review process.

The Right to Farm GAAMP for siting has a review process as part of the GAAMP. It allows for either the farmer or citizens to ask for the Commission of Agriculture to review the siting process. The process calls for MDA to create of panel of recognized professionals to review the siting process.

The issue before the Commission is to review that process.

Ms. Crook reviewed the background of Red Arrow Dairy and the siting process. A written summary was provided.

Mr. Bolinger commented, representing the Review Committee. Other committee members included Brian Culham, Environmental Quality Analyst, Air Quality Division, MDEQ; Dr. Bill Bickert, Professor, Biosystems and Agricultural Engineering Department, MSU; and Steve Davis, State Conservation Engineer, USDA Natural Resources Conservation Service.

The Committee reviewed the request, focusing on the specific areas of concerns raised by nearby homeowners the Frye and Kay families. In doing so, went step by step through their concerns. Mr. Frye had three primary concerns. One was in regard to the application of the Minnesota Estimator Model. It was reviewed and found no error to be concerned with. More significantly, within the GAAMP, everyone that submits an application for siting approval must complete that model and analysis, however, it is only factored into the decision if the set backs are not met. In this case, set backs were all met. The second concern was relative to populating the facility prior to its verification. Final verification was after some population took place, however, because of the practicality of that facility being constructed over a period of time with multiple phases, there were

intermittent inspections along the way. That was found to be consistent with the GAAMP. The third concern was the application of wastewater through a center pivot system. The 2003 GAAMP specifically defined livestock production facilities as it relates to the siting and that is basically the housing facilities and refers any reference to concerns over the application of waste water or manure to the other GAAMPs relating to manure management and utilization which are not part of the siting process.

The Kays concern was that the topography of the area was not considered by an application of the odor model and the potential impact area. Topography is not considered as part of that model and not included in the GAAMP.

The final conclusion was that MDA's approving the siting of the facility was consistent with the 2003 Siting GAAMP.

In response to questions from Commissioner Byrum, Mr. Bollinger stated that topography is not part of the odor estimator and that the model is imperfect. He stated that since the 2003 Siting GAAMP, there have been revisions that allow for that consideration in the odor management plan, but not necessarily required. Additionally, he stated that the nearest odor source is associated with the facility itself. Land application is not a consideration. There are GAAMPs that apply to nutrient and manure management.

In response to questions from Commissioners Norton, Coe and Byrum, Mr. Bollinger stated that the intent of the GAAMP is to approve the appropriate construction of a particular component prior to population. When dealing with a larger facility, it is economically impractical to expect a producer not to utilize a portion of the facility that is completely functional and operational and not wait for the entire project to be completed. Those portions brought on-line were in compliance with the GAAMP.

MDEQ has collected hundreds of water samples for testing. The findings were not conclusive that elevated levels of e.coli came from the facility. Testing was also conducted upstream from the facility and one of the highest levels came from upstream.

Residences are mostly southwest of the facility. In the odor model print, the intention is to incorporate "average" winds for Michigan.

PUBLIC COMMENT

Holly Kays stated that her family lives just south and east of Red Arrow Dairy and that the foul stench is ruining their quality of life. It is her understanding that because of the Right to Farm law in the state, there is nothing the community can do about more and more cow factories coming to their area. The legislators are uninterested in helping. She stated that if this form of agriculture is allowed to continue in Michigan, it will kill the tourism industry in Michigan. The stench this month has been reported eight of the last nine days at their home.

William Kays stated that they have a continuing problem at their home. He does not understand why the odor estimator is used when it does not work. He stated he tried to get a copy but was told it was part of the farm management plan and could not get receive a copy.

He also has a concern about several hundred acres of land that has been purchased south of the dairy that is heavy, wet and tiled to the creeks. In a normal year with a lot of rain from spring or fall, every time you spread manure on the farms, it will go right into the creeks. He does not feel it is fair for the local governments and people to not have an opportunity for input, especially with something this large.

Commissioner Byrum commented that a state law governs notification.

Dan Klug stated that they are neighbors of the dairy, directly north and located he believes less than a half-mile from the dairy. He believes there are more than five homes within a half-mile. He owns a farm with a farm market and a u-pick operation. In the summer, the winds come out of the south and they get a lot of smells. The fly problem was terrible last year. It depends on which way the winds go, some days it is worse than others. It is erratic.

He expressed his concern over lax laws that allow concentrated animal feeding operations to be built.

Margo Klug stated that this does impact their small, family farm and farm market operation. She is very concerned with the odors that are involved. She is concerned about loss of business due to the odor. She is also concerned about their manure management practices. They are farmers and understand that you need to use good farming practices for your benefit, the neighbor's benefit, the community benefits and future benefits.

Nancy Snow asked Commissioner Byrum about his earlier comment about notification. Commissioner Byrum stated that there is a state law that deals with the issue of notification of local governments on this particular siting issue.

Ms. Snow stated that the guidelines on the GAAMPs changed so that there would be notification of jurisdictions within one mile of the proposed facility. She stated that two years ago, she asked the Commission to hire a specialized study to be down to look at the impact on property values. She asked whether there was any intention of the Commission to do a study on impact of Cafés of nearby residential properties and incorporating that into the GAAMPs. She stated that her economic interests had not been protected. She asked what the Commission's and Director's intent was to protect the economic interests of the people of the state of Michigan that leave near these facilities.

Commissioner Darling stated that the GAAMPs were developed to protect the community but to also help the industry survive. He thanked all the individuals who gave comment.

Director Irwin stated that the Department does have a mission to protect the economic interests of the people of the state, particularly in agriculture. It is appropriate for us to say that we have that as a mission, purpose and goal and will honor that in terms of making sure that all evaluations that are required under the statute include and reflect the statutory requirements that we uphold. The staff has and will continue to uphold those standards and it may mean that there are differences of opinion and those can be respected based on the comments presented. The decisions are science based and given due care and diligence.

With respect to the question about a plan to do an economic property value study, there is no plan to do that throughout the state. MDA does not have authorization to do that or the funding. Often, when those questions arise, people have taken those questions to their local board of review as it relates to their property values upon their point of view of any particular business activity whether it is agricultural, commercial or other residential consideration. That is not to say that your questions is not appropriate or valid, it is just to answer respectfully how we intend to pursue living up to our mission.

MaDonna Martin, Harford Township Supervisor, spoke as the township supervisor and private citizen. She stated that many of the people, especially those in the south section of town, have commented negatively to her about the dairy. She finds that disheartening as they live in a beautiful farming area. It has been a beautiful fruit-producing area and that is changing dramatically. There is nothing wrong with the dairy farming business, but we must watch for the impact on the neighbors. One of the main concerns is the value of the farmlands around the dairy. Businesses are concerned about their customers, who they fear will not buy their products because of the odor. There is also concern about fly infestation. She asked that these issue be taken to heart as they are affecting dollars and cents.

Additionally, she asked for better coordination and a central call in place for both MDA and MDEQ as often people are bounced back and forth between agencies.

She stated that the people present are not anti-farming. She also said that she had spoken with the MDEQ about the water testing that was done. She stated that the testing was out-sourced to a private company and they had second thoughts about the job that was done. She was told they did not test upstream. She stated the MDEQ was going to go out and do upstream testing to help determine the cause of the high e.coli counts as that is not acceptable.

Director Irwin stated that the Commission and the Department feels very strongly about its mission and that later in the day there will be a presentation about the Agriculture Innovation Fund which includes an invitation for entrepreneurs and business people who have ideas on enhancing waste-to-energy and other technologies and innovations in agriculture, life sciences and alternative fuels. Staff will explain how we are encouraging, through these programs, business and industry to come forward with new ideas. Those ideas may have an impact on waste stream management and odor. He stated MDA and the Commission is promoting and supporting the idea that if we can devote as much time and energy on innovation and technology to solve problems as we do identifying those problems, then we can all move forward and have a more peaceful and productive and enjoyable co-existence as community residences, farms and any other commercial activity that may be in the food and agri-business category.

Ms. Martin suggested trying out some of the new ideas on existing facilities before licensing more, to perfect it before building more. It is not a small impact on the area, and it would be nice if it was more positive.

The Environmental Protection Agency has signed a Consent Agreement some large farms to do a study on odor. That will be very helpful in determining the issues and where the odors are coming from and ways to intervene if necessary.

Ms. Martin stated that the 5% odor model needs to be modified.

Commissioner Darling commented that the GAAMPs are living documents and are reviewed every year. He stated that the comments would be forwarded to those committees. He asked staff to respond to the questions about notification of neighboring townships in the GAAMPs; calling in a complaint, response and timeliness; and getting a copy of the Minnesota odor estimator.

Mr. Wenk commented that the current GAAMPs state that notification is required of the local township in which the facility is located. They do try and notify neighboring townships if it is in close proximity.

The Right to Farm Act requires staff to respond to a complaint within five days. The average response time is four days. When staff does respond, they are looking a management practices that the farmer follows and documentation that the management practices are followed.

As the odor estimator model becomes part of the farm's manure management plan, it is exempt from the Freedom of Information Act (FOIA) as outlined in the Right to Farm Act. The model itself and how it is operated is available on the MDA website.

For contact under Right to Farm, there is a toll-free number for complaints. As for better coordination with MDEQ, that is continuing so that we do not duplicate efforts or have conflicts over what we are trying to accomplish.

Commissioner Darling asked if the comprehensive nutrient management plan had been reviewed. Mr. Wenk stated that it had been reviewed and the MDEQ has issued a National Pollutant Discharge Elimination System (NPDES) permit on Red Arrow Dairy.

In response to a request for clarification from Commissioner Byrum, Mr. Wenk stated that as it relates to siting, the townships are involved in the development of the GAAMPs. In terms of individual facilities, the townships are notified and they can raise concerns as part of the notification process. The Right to Farm act does pre-empt local Townships on siting issues. The FOIA exemption is within the Right to Farm Act.

MOTION: COMMISSIONER NORTON MOVED TO ACCEPT THE WRITTEN RECOMMENDATION FROM THE PANEL THAT AFFIRMS THE DIRECTOR'S DETERMINATION OF THE SITING VERIFICATION FOR RED ARROW DAIRY LOCATED IN HARTFORD TOWNSHIP. SECONDED BY COMMISSIONER BYRUM.

Commissioner Byrum noted that there are state laws that impact this, that pre-empt Commission policy, and not within Commission purview.

MOTION CARRIED UNANIMOUSLY.

Commissioner Darling referred questions regarding township involvement to the Michigan Township Association and to Mr. Wenk for further information.

PUBLIC COMMENT (continued)

Tonia Ritter, Michigan Farm Bureau (MFB), shared a copy of the 2006 Policy Book from Michigan Farm Bureau.

Ms. Ritter highlighted new items in the policy book including an issue index to help locate policies more quickly.

She also reviewed policies of significant importance including energy issues (biomass, biofuels, renewable energy and electricity); environmental issues, including MAEAP; MDA funding; and water use.

Ms. Ritter answered questions from the Commissioners about various policies.

Ms. Ritter congratulated Commissioner Coe on his appointment to the Commission and stated she looked forward to supporting him at the upcoming Senate confirmation.

Juan Martinez, Michigan State University Extension, shared information with the Commission about Hispanic farmers in Michigan. He discussed the growth of Hispanic farms in Michigan and rural America.

He stated that the growth of the Hispanic population in rural America presents new opportunities as well as challenges for agricultural agencies and rural communities. Nearly all Latino farmers are employed off the farm. For them, the farm is more than a business enterprise; it is also a way of life.

Latino farmers cite a number of difficulties in breaking into farming including: purchasing farms; infrastructure development; access to technology; familiarity with crops in VanBuren County; language and culture; and participation in USDA program.

Morse Brown, Michigan Food & Farming Systems (MIFFS), spoke about assistance being provided to African American and other minorities in agriculture. The program is called the MIFFS Multi-Cultural Farming Program. They work with small farms, primarily African American and Hispanic owned. The program was started with a grant from MIFFS in 2002 of \$100,000. Since then, the program has been augmented with funds from USDA's Risk Management Agency. The Risk Management Agency provides insurance through local insurance agencies that you can get for your farm. As a part of that, the grant allowed MIFFS to work with farmers and provide educational programs to farmers about the Farm Service Agency, Natural Resource Conservation Service and also providing an advocacy role to them as they work through the different projects and problems. Mr. Brown makes field contacts with the farmers to make sure they are aware of the programs, and also holds workshops with them to show the benefits and advantages from getting involved in the various programs.

Over the last four years they have worked with approximately 200 farmers.

RECESS:

The meeting was recessed at 12:10 a.m.

RECONVENE:

The meeting was reconvened at 1:00 p.m.

PESTICIDE AND PLANT PEST MANAGEMENT DIVISION UPDATE: KENNETH RAUSCHER, DIVISION DIRECTOR

Mr. Rauscher reviewed the division responsibilities and traditional budget figures. There are four program areas: pesticide management; fruit and vegetable inspection and grading; exotics/plant pest activities; and agricultural products.

Pesticide program activities in 2005 included the certification of 25,484 applicators; licensing 2,166 firms that sell products to farmers; 27 emergency exemption requests covering 12 crops reviewed and processed; and 182 misuse complaints investigated.

Through the West Nile Virus Surveillance program, there were 55 confirmed human cases (Wayne, Oakland, Macomb, St. Clair, Clinton, Washtenaw, Genesee, Ingham, Berrien, Kent, Ottawa and Grand Traverse Counties; four deaths (three in Wayne County and one in Kent County); 13 confirmed horse cases from 12 counties; and 117 positive corvid birds from 27 counties.

In 2004, 2.15 million tons of commercial feeds and feed ingredients were manufactured and distributed in Michigan; 1,155 feed manufactures were licensed; 286 million pounds of dry edible beans valued at \$100 million; 600 fertilizer manufacturers and distributors were licensed; and over 62 million gallons of agrichemicals safeguarded (1,900 tanks locked and secured and 222 bulk storage facilities.) Additionally, over 2,400 inspections were conducted of feed, fertilizer and lime (114 medicated feed inspections); 1,590 samples collected and analyzed to verify label guarantees and quality; and over \$760,000 in violative product removed from sale.

In 2005, the Enhanced Bovine Spongiform Encephalopathy (BSE) Inspection Activity included 98 BSE Rule Compliance Inspections; Food & Drug Administration's (FDA) Ruminant Feed Ban Support Project (with the Laboratory.) The \$250,000 received from FDA will support the identification and inventory of all animal feed manufacturers, distributors and renderers in Michigan that are subject to inspection; inspection; collection and testing of feed samples; outreach and education.

Every year approximately 10,847 acres of nursery stock and perennials are inspected/certified; 11,203 acres of Christmas trees certified; and 2,433 state and federal phytosanitary certificates issued for export of commodities. In addition,

a Horticulture Fund was created about five years ago as part of the Nursery Licensing Program. About \$75,000 is set aside each year for research projects for the nursery industry. Last year there were nine projects with results of the projects expected in April 2006.

The Cooperative Agriculture Pest Survey (CAPS) is funded by the United States Department of Agriculture-Animal and Plant Health Inspection Service-Plant Protection and Quarantine (USDA-AFIS-PPQ) and is an opportunity to proactively look for plant pests. In 2005, activities included: inspected 196 nurseries and 46 native stands for hemlock woolly adelgid - results all negative; monitored ten sentinel soybean plots weekly for 10 weeks to detect the spread of soybean rust into Michigan; conducted sampling of *Phytophthora ramorum* (the pathogen that causes sudden oak death) at 33 nurseries known to have received stock from the West Coast; trapping in apple orchards for two exotic pests, the apple ermine moth and the summer fruit tortrix moth; and contacted over 250 firms statewide suspected of dealing with solid-wood packing material from overseas, and therefore considered potential high-risk sites for the introduction of exotic woodboring beetles. Highest risk firms will be inspected and trapped in 2006.

In 2006, the Gypsy Moth Suppression program will be active in six counties encompassing 16,076 acres. The money for this program comes through the Forest Service. The program is designed to provide relief to homeowners in heavily infested areas.

The Fruit and Vegetable Inspection Program has three major inspection areas. Market inspections provide an opportunity for providing inspections at the back end of produce in commerce. 1,300 inspections requested annually - 22,000,000 pounds of Michigan produce. Retail stores call for an inspection when they suspect a product does not meet the grade it came in with.

Shipping point inspections verify the grade and quality of produce prior to shipment. 12,000 inspections performed annually – 195,000,000 pounds of Michigan produce.

Processing inspections of raw produce received at process plants and receiving points – 25,000 certificates are issued annually on approximately 450,000,000 pounds of produce.

This program is run in cooperation with USDA, Agriculture Marketing Service.

There is also an inspection program for Controlled Atmosphere Storage, primarily for apples. This is especially important now when looking at exporting apples to Mexico.

He shared a costs and revenue figures over the last six years and projections for 2006. There have been budget cuts projected for 2006. Staff has been meeting with industry trying to determine a way to right-size the staff and still meet the changing needs of the industry. Options under consideration include operational efficiencies; raising fees; reducing staff; and additional general fund resources. He stated that no reductions in staff or increases in fees would occur until the legislature reacts to the proposal.

In response to a question from Commissioner Byrum, Mr. Rauscher stated the fees are provided for by statute, but the fee schedule is set by the Agriculture Commission. The fees are reviewed annually. The fees were raised in 2002 and again in 2004 with a 2-year graduated schedule.

Director Irwin commented that the concept of not making any changes at this time is the result of conversations held with the legislature on this matter. The statute under which this program was established (1950 PA 91, Section 5) calls for fees that would make this a self-sustaining program. It was pointed out to the legislature if we were following the statute, the fees would be exorbitant and would be non-competitive. Over the years, it has been a shared commitment. It was also suggested to the legislature that they should consider changing the act.

Director Irwin stated that MDA has been pursuing support from the Executive Office and the legislature. Our requests have been taken under advisement. We cannot get into the critical harvest season without having a resolution. Resolution is needed by June. There was a brief discussion about the process for increasing fees.

Director Irwin thanked the Commissioners for their support of this issue.

Mr. Rauscher briefly discussed the current Emerald Ash Borer (EAB) Gateway Response Strategy. In late 2005, the EAB Science Advisory Panel met and recognized that financially, this program is not well based. In terms of priority, they recommended: survey at or beyond gateway area; delimit and eradicate outlying populations in or beyond the gateway; implement ash reduction in forest management plan; and maintain aggressive regulatory and outreach efforts to minimize artificial spread.

Michigan still maintains an inspection station at the Mackinac Bridge with signage and an opportunity to drop off firewood before you get to the bridge. There is a quarantine in place that MDA enforces if people do haul ash material across the bridge. The inspection station has confiscated 228 cubic yards of firewood.

Mr. Rauscher shared the proposed quarantine revisions that would expand the core, eliminate individual outlier quarantines and simplify quarantine compliance. He then reviewed the EAB budget for Michigan

The current cooperative agreement with USDA started February 1. There is hope for additional funding, but need to set up a management program in which we operate within our means. We are looking at staffing levels and determining what we can afford to do.

In response to a question from Commissioner Darling, Mr. Rauscher stated that research money does not come out of the money allocated to Michigan.

Commissioner Byrum asked if staff was still on board. Mr. Rauscher said they are but plans are in the works to reshape the staffing in line with this funding in the next few weeks. Realistically, some staff will be on board through the middle of March.

In response to a question from Commission Norton, Mr. Rauscher stated that other states involved with an EAB program are Ohio and Indiana.

Commissioner Norton asked what the ramifications are of ending the cutting. Mr. Rauscher said there has not been support from the timber industry, therefore, not a lot of support for additional funding. He stated we can slow the spread with a strong regulatory function and do a small amount of detection work. The reality is, the spread cannot be stopped at this point without adequate funding. We can slow it and hope that research will provide some cost effective solutions.

Mr. Rauscher stated that this would cause us to focus on pro-active detection and take a serious look at imported products and the cost of the product in terms of Michigan agriculture.

In response to a question from Commissioner Coe about the economic impact to the state, Mr. Rauscher commented that ash is very important species in southeast Michigan in the heavy, wet, and clay soils. We will lose a large forest component. The estimate in the timber industry is valued at \$80 million in Michigan. From an ecological standpoint it is an important species and there is the issue of the survival of the ash genus nationwide. It fills a niche very similar to the elm. Commissioner Coe asked what would be planted to replace the ash. Mr. Rauscher said that in the native areas, other species will move in, for example red maple that can tolerate heavy soil. From the nursery industry standpoint, they will try to replace it with another ornamental.

There was a brief discussion about animal remedies.

ECONOMIC DEVELOPMENT ACTIVITIES

21st Century Job Fund

Director Irwin briefly reviewed the purpose of the 21st Century Job Fund and discussed efforts MDA is undertaking related to the Fund. He distributed a handout to the Commissioners containing an overview of the program, which is to jump-start the economy, promote diversity and promote development of competitive edge technology.

He reviewed the implementation schedule for the program. Four specific industry sectors are being targeted: life sciences, homeland security defenses, advanced automotive manufacturing materials, and alternative energy.

He noted that Deputy Director Creagh would continue to work with the forestry industry, MEDC, MDNR and Michigan Forest Development Authority to assist with the Forestry Finance Authority (\$26 million loan fund.)

\$15 million was identified for Agriculture Tourism and staff will work with Travel Michigan to have funds directed and leveraged with existing programs and development of new ideas.

MDA will also focus on the implementation of \$5 million in the promotion of innovative efforts in value-added processing of agriculture products.

Michigan Bioeconomy Partnership

MDA Deputy Director Keith Creagh reviewed the Michigan Bioeconomy Partnership with Michigan State University. The goal of the partnership is "...to accelerate the growth of Michigan's bioeconomy and capitalize on Michigan's potential to lead this nationally emerging economic sector..."

He commented that one challenge is to catch up with private industry and how government can (public/private university partnership) leverage expertise.

Bioeconomy is not just fuels and ethanol and part of the challenge is changing that mindset. MDA is well positioned to talk about how to preserve the identity of the crops for the traits that they are grown for as traditional agriculture resources merge with the manufacturing sector.

Mr. Creagh distributed and discussed a document about a bio-based economy for Michigan. He also briefly discussed another document regarding the basics of biomass conversion.

Commissioner Coe commented about a MEDC 21st Century Job Fund briefing he attended. He said that they had focused on applied and basic research and then leading to commercialization. He asked if the research was the role of the

universities if the commercialization was left to private sector. Mr. Creagh said there was also research being done by private entities. The university has a definitive role to play in basic and long-term research. There needs to be a partnership so duplication does not occur, and they can leverage off each other.

Director Irwin stated that basic research is very important, but this is not a fund just for academic research, but to move it into applied research and commercialization.

Commissioner Byrum stated that there are patents that exist that are being sought after and there needs to be a mechanism in place in the private sector to produce what they want to use.

Director Irwin stated that MDA will be involved and participating in upcoming meetings, workgroups and events related to bioeconomy. There is a high level of interest in this issue.

Commissioner Coe stated that we have a great opportunity and funds to address the issue, but a real education component required.

A brief discussion ensued regarding the difference between biofuels and bioeconomy.

Julian-Stille Value-Added Rules/Scoring Criteria

Mike DiBernardo will be assisting the Agriculture Development Team over the next year in managing the Julian-Stille fund. By statute, the Agriculture Commission is required to approve the selection criteria and scoring or point system. Mr. DiBernardo explained proposed changes to the Julian-Stille Value Added Regulation 351.

An internal workgroup reviewed and analyzed the regulation to look for areas to streamline the regulation and make it more flexible depending on the initiative. Mr. DiBernardo reviewed the proposed changes that included input from the industry and other advisors.

The regulation will be more manageable so that when a change is necessary, it does not have to be done through the formal adoption process. The category descriptions were made more general. All the requirements on scoring and subcommittees was removed and included that a Joint Evaluation Committee (JEC) would be assigned for each round of grants. The Requests for Proposals (RFP) can be more specific for each round of grants. Requirements for CPA audits were removed. The requirements about specific ranking and how to award points was removed.

All the sections related to terms and conditions of the grant agreement were removed as it is contained in the general boilerplate grant agreement as established through the Department of Management & Budget act. This allows the grants to be more consistent.

A section was added related to the Freedom of Information Act, confidentiality and proprietary rights, which is consistent with the Michigan Economic Development Corporation's (MEDC) RFP language. It is also the same language that was included in HB 5047, the securitization bill that awarded the funding.

He reviewed the draft scoring criteria that matches the proposed changes in the regulation.

Commissioner Byrum asked if under the new rules, grants could be made to private corporations that are enhancing their operation with a value-added effort. (A co-op or an individual.) Mr. DiBernardo replied that was correct. He noted that the advisory committee would help set the system and criteria, the JEC will be evaluating the grant documents and cannot be a recipient of a grant agreement.

Commissioner Darling commented that in comparing the proposed documents with the 2002 round of grants, flexibility has been created to allow the dollars to go to areas that may see a greater return to the economy. He commended staff on their work.

MOTION: COMMISSIONER BYRUM MOVED THAT THE PROPOSED CHANGES TO REGULATION 351 BE APPROVED AS PRESENTED. SECONDED BY COMMISSIONER NORTON.

Commissioner Coe stated that he had attended a meeting on the new federal value-added grant proposals and there was a provision of allocating a certain percentage of funds to grants that were below a threshold level to allow smaller operators to have an opportunity to participate. He asked if it made sense to give grants below \$10,000. Mr. DiBernardo stated that the caps are limits on the high end and they would be looking at smaller companies who need assistance to get going. They are an important sector as they are a part that can help grow the economy.

Director Irwin reviewed a draft spending plan for the Julian-Stille program showing target percentages within each category. Neither the statute nor rules mandate percentages. He briefly reviewed the proposed timeline.

MOTION CARRIED UNANIMOUSLY.

LEGISLATIVE REPORT: LIESL CLARK, LEGISLATIVE LIAISON

Ms. Clark reported that there was a compromise on the bottled water portion of the water bills and an agreement was reached. It is expected to go to the Governor's office quickly.

Commissioner Byrum commented that this was good policy for agriculture. It incorporates various provisions that agricultural groups requested.

There have been a series of joint house committee meetings between the Public Health and Agriculture Committees on Avian Influenza. The directors of MDNR (migratory issues), MDA (captive issues), and Michigan Department of Community Health (MDCH) (human issues) will be addressing the Committee soon. MDA will continue to work with other agencies on preparedness and response plans.

There are forestry packages moving in the Agriculture Committee on both the Senate and House side. MDA is not lead on any of the packages, but will continue to offer input.

Ms. Clark commented briefly about the presentation of the budget and an upcoming appropriations meeting.

There are bills dealing with zoning issues at the township level for wind on the House floor. She will keep the Commission posted on activity.

MICHIGAN GRAPE INDUSTRIES: Linda Jones, Program Manager, Michigan Grape & Wine Industry Council; Terry Holloway, National Grape and Tim Parks, Lawton Plant Engineer, Welch's

Linda Jones briefly discussed the background of the area and thanked the Commission for coming to "grape country". She congratulated Commissioner Coe on his appointment to the Commission of Agriculture.

She reviewed the farm gate value of Michigan's fruit industry. The grape industry is a large part of that. She discussed the history of grape production and the wine industry in Michigan.

She noted that juice grapes and wine grapes have a difference wine structure and are grown differently because of that. Generally, juice grapes sell for much less than wine grapes. While wine grapes make up about 5% of the harvest each year, they make up about 25% of the dollar value of the harvest.

There are strong ties between the industries in pest issues, vine physiology and work together to fund research and to find answers to problems that are common with both industries.

In response to a question from Commission Norton, Ms. Jones stated that juice grapes yield approximately seven to eight tons per acre and wine grapes yield approximately two to three tons per acre.

The wine industry is an example of value-added agriculture. The Michigan Grape & Wine Industry Council program is within MDA and charged with mandate to assist in research funding, grower education, and promotional activities to increase sales and providing professional development opportunities for the industry.

The wine industry is growing. There are 45 wineries in Michigan with a million visitors annually with an economic impact of over \$118 million. There is the expectation of three to five more wineries to open in the next year.

There are many challenges in this industry and it is highly regulated. The global wine community is constantly raising the bar. The wine industry needs continuous quality improvement through ongoing research and extension activities. There is very much a sense of cooperative and strategic planning being a key to success working together through the Wine Trails and the Council to have a unified vision for the industry. It is a very expensive business to get into. There is a need to find ways to help new investors find the capital they need through the value-added producer grants and Julian-Stille grants to get involved in the industry and help educate financial institutes how to treat wineries when they are looking for funds. Access to markets needs improvement; it is a highly structured industry.

She briefly commented on the recent Supreme Court ruling and passage of the new direct shipping law in Michigan. There continues to be changes in the laws in other states.

She reviewed the counties in Michigan that have high potential for growth of grape production.

The National Grape Cooperative has 345 growers in Southwest Michigan. Welch's is a wholly owned subsidiary of National Grape.

In response to a question from Commissioner Norton, Ms. Jones commented that the cost of planting an acre of grapes is ten to fifteen thousand dollars a year (after the land purchase), four years before your first crop and approximately 10 years before you have stable production and quality. The vineyards could then potentially produce for hundreds of years.

Terry Holloway, National Grape Cooperative, welcomed the Commission to Lawton. He stated that National Grape Cooperative is the parent company of Welch Foods. Welch's is the marketing and processing arm. The 345 growers in Michigan produce Concord and Niagara grapes, with approximately 13,000 acres of vineyards located in Allegan, Berrien, Cass and VanBuren counties. In 2005, National members produced 90,000 tons of Concord and Niagara grapes with a farm gate value of \$18 million dollars. It's been estimated through processing and marketing to reach \$135 million for the local economy.

He reviewed additional planting and production information. He stated the added value, the vineyards and plant improvements by National Grape have generated dollars that help support the local rural communities.

National Grape Cooperative was a recipient of a Julian-Stille grant in 2002 that assisted Welch's conduct health research on purple grape juice that has added substantially to the demand for the juice.

Tim Parks, Lawton Plant Engineer, discussed wastewater issues. He reviewed their current wastewater set up and shared Welch's history with an ongoing issue with MDEQ regarding their spray fields.

He discussed other plant closings and Welch's wish to remain an economically viable business and good environmental neighbors.

A brief discussion ensued regarding winter land application of wastewater and MDEQ recommendations.

COMMISSIONERS ISSUES

Commissioner Byrum stated that he felt it would make sense for the Commission to take a look at the work and effort that has going on between MDEQ and various livestock entities. He commented that the Commission should consider a position or at least provide some input on the discussion and see if we can proactively advocate on behalf of livestock production in the state.

Commissioner Darling agreed.

MOTION: COMMISSIONER BYRUM MOVED TO HAVE STAFF DEVELOP A RESOLUTION FOR THE COMMISSION TO CONSIDER THAT ADDRESSES THE ISSUES SURROUNDING LIVESTOCK PRODUCTION, ENVIRONMENTAL PROTECTION AND ECONOMIC SUSTAINABILITY. SECONDED BY COMMISSION NORTON. MOTION CARRIED UNANIMOUSLY.

MOTION: COMMISSIONER BYRUM MOVED TO DIRECT THE DIRECTOR AND STAFF TO DEVELOP A PLAN FOR ADDRESSING THE BIOECONOMY.

Commissioner Byrum stated there is a leadership void in state government that MDA could fill aggressively. Commissioner Darling agreed.

SECONDED BY COMMISSIONER COE. MOTION CARRIED UNANIMOUSLY.

Commissioner Darling thanked staff that were responsible for setting up the meeting and tours and working with local partners. He also thanked staff that traveled to Lawton to present their reports.

ADJOURN

MOTION: COMMISSIONER NORTON MOVED TO ADJOURN THE MEETING. COMMISSIONER COE SECONDED. MOTION CARRIED UNANIMOUSLY.

The meeting was adjourned at 2:00 p.m.

Attachments:

- A - Agenda
- B – Agriculture Commission Meeting Minutes correction December 7, 2005 and Commission Meeting Minutes January 9, 2006
- C – Directors Report – February 2006
- D – Weights and Measures: Enforcement Policy – Unintentional Violations
- E – Red Arrow Dairy, Review of Siting Determination Packet
- F – Public Comment
 - Hispanic Farmers in Michigan (Juan Martinez PowerPoint)
- G – Pesticide & Plant Pest Management Division Update (PowerPoint)
 - Fruit & Vegetable Inspection Program Summary
 - Letter from Michigan Seed Potato Association to Senator VanWoerkom
 - Letter from Potato Growers of Michigan to Rep. Scott Hummel
 - Letter from Michigan apple grower to Commissioner Darling
 - Letter from Michigan Apple Committee to Commissioner Darling
- H – Julian Stille Value-Added Act Review Packet from Mike DiBernardo
 - Julian Stille Rule Change Recap
 - Michigan's 21st Century Jobs Fund (MEDC PowerPoint)
 - The Michigan Bioeconomy Partnership (MSU Board of Trustees)
 - Basics of Biomass Conversion
 - Bio-Based Economy for Michigan (MSU)
- I – Legislative Report
- J – Michigan Grape & Wine Industries (Linda Jones PowerPoint)
 - Michigan Wine Industry Ready for Takeoff (MDA Press Release)
 - Fact Sheet: Welch Foods, Inc., Lawton, Michigan